

Incentives



Businesses grow and prosper here.

Families do the same.



T H R I V E  
*in* **NORTH  
CAROLINA**<sup>TM</sup>



# Incentives



Targeted, performance-based incentive programs complement the state's competitive cost structure and low business tax burden to offer businesses a cost-effective place to locate or expand. The amount that the state may offer any project is dependant on a number of factors including the tier ranking of the county where a project is considering locating, the number of net new jobs proposed, the wages of those jobs and the proposed capital investment.

Infrastructure financing programs, including bonds, grants and loans, provide important resources necessary for some projects. North Carolina also offers funds to construct access roads and railroad access tracks required by a new or expanding industry.

A number of important discretionary incentive programs, including the One North Carolina Fund and Job Development Investment Grants, are also available to high-impact new and expanding businesses.

This overview is a valuable starting point to understanding the state's incentive programs. The expert counsel of competent advisors, including contacts at key North Carolina state agencies, is advised to address the needs of individual businesses.

For more information about the state's targeted, performance-based incentives programs, contact the North Carolina Department of Commerce at 919.733.4977 or visit [ThriveNC.com/incentives](https://ThriveNC.com/incentives).

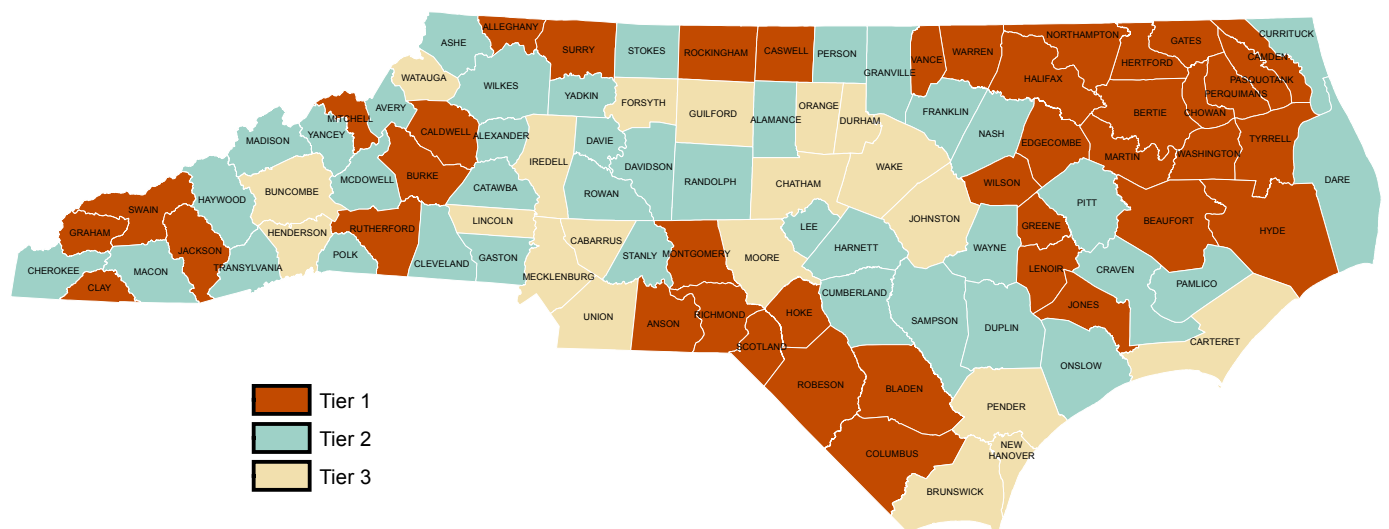


# Incentives — County Tier Designation

The N.C. Department of Commerce annually ranks the state's 100 counties based on economic well-being and assigns a tier designation to each. The 40 most distressed counties are designated as Tier 1, the next 40 are Tier 2 and the 20 least distressed are Tier 3. This tier system is incorporated into various state programs to encourage economic activity in the less prosperous areas of the state.



## 2014 N.C. Tier Designation



# Incentives — County Tier Designation

## 2014 Average County Wage

The figures below are the Average County Wage (private sector). The average annual wage (private sector) for the State of North Carolina is \$43,532.

### Tier 1

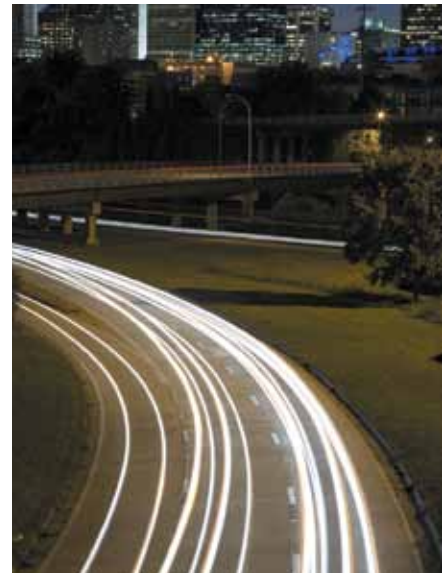
County	Avg. Annual Wage
Alleghany	\$25,852
Anson	\$30,409
<b>Beaufort</b>	\$33,650
Bertie	\$27,188
Bladen	\$31,622
Burke	\$32,834
Caldwell	\$31,476
Camden	\$45,257
Caswell	\$27,533
<b>Chowan</b>	\$32,067
Clay	\$25,849
Columbus	\$31,123
Edgecombe	\$36,691
<b>Gates</b>	\$28,333
Graham	\$29,936
<b>Greene</b>	\$25,848
Halifax	\$30,001
Hertford	\$33,942
<b>Hoke</b>	\$33,032
Hyde	\$26,454
<b>Jackson</b>	\$27,860
Jones	\$30,296
Lenoir	\$32,744
Martin	\$29,831
Mitchell	\$30,490
Montgomery	\$30,897
Northampton	\$29,949
<b>Pasquotank</b>	\$31,079
<b>Perquimans</b>	\$28,035
Richmond	\$30,788
Robeson	\$29,443
Rockingham	\$33,732
Rutherford	\$31,347
Scotland	\$31,831
<b>Surry</b>	\$30,414
Swain	\$26,495
Tyrrell	\$23,566
Vance	\$31,470
Warren	\$28,711
Washington	\$34,890
<b>Wilson</b>	\$40,176

### Tier 2

County	Avg. Annual Wage
<b>Alamance</b>	\$35,789
<b>Alexander</b>	\$27,657
Ashe	\$29,830
Avery	\$26,398
Catawba	\$36,167
Cherokee	\$27,702
Cleveland	<b>\$34,424</b>
Craven	\$36,187
Cumberland	\$34,196
Currituck	\$29,009
Dare	\$26,928
Davidson	\$33,224
Davie	\$31,021
Duplin	\$30,531
<b>Franklin</b>	\$34,783
Gaston	\$35,868
Granville	<b>\$35,592</b>
Harnett	\$29,008
<b>Haywood</b>	\$23,560
Lee	\$37,066
Macon	\$29,328
Madison	\$28,469
<b>McDowell</b>	\$30,576
Nash	\$34,577
<b>Onslow</b>	<b>\$26,959</b>
Pamlico	\$25,578
Person	\$35,732
Pitt	\$34,872
Polk	\$27,721
Randolph	\$32,636
Rowan	\$36,902
Sampson	\$30,735
Stanly	\$30,937
Stokes	\$27,907
Transylvania	\$29,692
Wayne	\$33,044
<b>Wilkes</b>	\$31,153
Yadkin	\$28,225
<b>Yancey</b>	\$26,997

### Tier 3

County	Avg. Annual Wage
Brunswick	\$33,247
Buncombe	\$35,784
<b>Cabarrus</b>	<b>\$34,285</b>
Carteret	\$26,939
Chatham	\$32,279
Durham	\$65,746
Forsyth	\$45,845
<b>Guilford</b>	\$43,236
Henderson	\$33,824
Iredell	\$42,724
Johnston	\$33,908
<b>Lincoln</b>	\$33,203
Mecklenburg	\$59,046
Moore	\$35,155
New Hanover	\$37,851
Orange	\$39,424
Pender	\$28,836
Union	\$37,438
Wake	\$49,410
<b>Watauga</b>	\$28,870



Note: A tie for the 40th tier ranking resulted in 41 Tier 1 communities and 39 Tier 2 communities.

# Incentives — Article 3F Tax Credits

## Research and Development Tax Credit

As part of the Research and Development (R&D) Tax Credit, N.C. §105-129.50, taxpayers that have qualified North Carolina research expenses during a taxable year are allowed a credit equal to a percentage of those expenses determined in the following manner:

- *Small business (annual receipts less than \$1 million):* If the taxpayer is a small business as of the last day of the taxable year, the business is allowed a credit of 3.25 percent.
- *Low-tier research:* For expenses for research performed in a Tier 1 county, a business is permitted a credit of 3.25 percent.
- *Eco-Industrial Park:* For expenses with respect to research performed in an Eco-Industrial Park certified under N.C. §143B-437.08, the business is allowed a credit of 35 percent.
- *Other research:* For expenses not covered above, the percentages provided in the table to the right apply to the taxpayer's qualified North Carolina research expenses during the taxable year.

The TD credit incorporates the Internal Revenue code definition of qualified research expenses. The expense must meet federal TD definitions of either "qualified research" or "basic research."

The credit is not limited to research increases, but applies to every dollar of research expense. In addition, there is no eligible business test for this credit.

Any corporate taxpayer may claim the TD credits provided they meet certain wage standards, health insurance, environmental impact and safety and health program requirements.

TD credits may be used to offset up to 50 percent of state income or franchise tax after all other credits against that tax are applied. Taxpayers may elect to claim the credit against either the income or the franchise tax. Any unused portion of the credits may be carried forward for 15 years.

The R&D Tax Credit is scheduled to sunset beginning on or after January 1, 2016.



Those eligible for TD tax credits include small businesses as well as those conducting low-tier and other research.

### Qualified Expenses Rate

- \$0 – \$50 million 1.25%
- \$50 – \$200 million 2.25%
- More than \$200 million 3.25%
- A taxpayer that has North Carolina university research expenses for the taxable year is allowed a credit equal to 20 percent of those expenses.



# Incentives — Article 3F Tax Credits

## Interactive Digital Media Tax Credit

A North Carolina taxpayer that develops interactive digital media (IDM) within the state is allowed a tax credit. IDM products are defined by those used for electronic media distribution, including file download over the Internet; contain a computer-controlled virtual universe with which an individual who uses the program may interact in order to achieve a goal; and/or contain a significant amount of at least three of the following five types of data: animated images, fixed images, sound, text and 3D geometry. This includes game platforms, game engines and games that have both entertainment and serious applications. N.C. §105-129.56

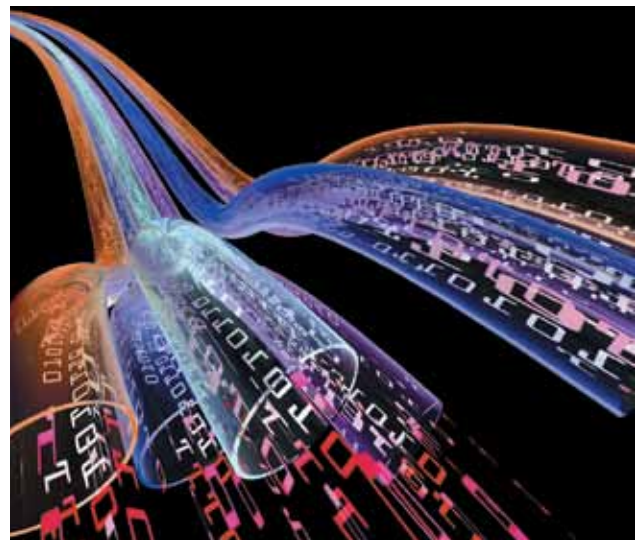


Credits are awarded for taxpayer's expenses that exceed \$50,000 that are paid during the taxable year in development phases and may not exceed \$7.5 million.\* The percentages that apply to the expenses are listed below:

- 15 percent of compensation and wages for a full-time employee, fringe contributions on compensation and wages and other allowable expenses.
- 20 percent of research expenses paid to a North Carolina university or participating community colleges.

Products for the following activities are ineligible:

- Developed by the taxpayer for internal use.
- Interpersonal communications service, such as videoconferencing, wireless telecommunications, a text-based channel or a chat room.
- Internet site that is primarily static and primarily designed to provide information about one or more persons, businesses, companies or firms.
- Gambling or casino games.
- Political advertising.
- Contain material that is obscene or that is harmful to minors. N.C. §14-190.1 and 14-190.13



\*Expenses used to claim this credit may not be used to double claim toward another North Carolina incentive program. Tax program is effective on or after January 1, 2011.

# Incentives — Tax Credits for Sustainable Practices



North Carolina’s commitment to responsible stewardship and sustainable development of its environment and natural resources extends past legal guidelines as evidenced by the state trailing only California for the most solar capacity added in 2013. The state makes available to business and industry grants and tax credits related to renewable energy and waste reduction. In addition, 80 percent of the appraised value of a solar energy electric system may be used for local property tax abatement [N.C.§ 105-275 (45)]. There are numerous active support services that encourage environmentally conscious efforts.

## Renewable Energy Tax Credit

Renewable energy expenditures eligible for a tax credit include the cost of equipment and associated design, construction costs and installation costs less any discounts, rebates, advertising, installation-assistance credits, name-referral allowances or other similar reductions. The credit is repealed for renewable energy property put in place on or after January 1, 2016 [N.C.§ 105-129.16A].

The credit is subject to various ceilings depending on the type of renewable energy technology.

Eligible Technologies			Available Credit (per each installation)	
Commercial/ Industrial	Solar, wind, hydro, geothermal and biomass applications on commercial and industrial facilities, including photovoltaic, daylighting, solar water-heating and space-heating technologies; combined heat and power system property; and wind equipment — including equipment required to relay the electricity by cable from the turbine motor to the power grid.	35%	up to \$2,500,000	
Non-business/ Residential	Renewable-energy systems for non-business use, which include wind equipment required to capture and convert wind energy into power.	35%	up to \$10,500	
	Geothermal equipment installation.	35%	up to \$8,400	
	Non-business solar energy equipment for active space heating, combined active space and domestic water-heating systems, and passive space heating.	35%	up to \$3,500	
	Non-business solar water-heating systems, including solar pool heating systems.	35%	up to \$1,400	

## Recycling Facility Tax Credits

An owner that purchases or leases machinery and equipment for a major recycling facility (at least \$300 million investment and at least 250 new, full-time jobs) in the state during the taxable year is allowed a tax credit. The credit is equal to 50 percent of the amount payable by the owner during the taxable year of purchase or lease of the machinery and equipment. N.C.§ 105-129.27

## Historic Preservation Tax Credits:

Owners or lessees of a “certified historic structure,” as designated by the State Historic Preservation Office or the National Park Service are eligible. Credits are available for the rehabilitation of income-producing historic properties and owner-occupied historic residences. Credits expire for qualified rehabilitation expenditures and rehabilitation expenses incurred on or after January 1, 2015.

- A 20-percent state tax credit for rehabilitation of income-producing certified historic structures is awarded to rehabilitations that qualify for the 20-percent federal tax credit. N.C.§ 105-129.35
- A 30-percent state tax credit is available for rehabilitation of non-income-producing certified historic structures, including personal residences. Minimum rehabilitation expenses must be met in order to qualify. N.C.§ 105-129.36.

# Incentives — Sales and Use Tax Exemptions and Refunds

North Carolina offers reduced rate allowances for certain business items. For example:

## Data Center/Software Exemptions

- Sales of machinery and equipment to be located and used in an eligible data center are exempt from sales and use tax, but are subject to a privilege tax. Contractors are allowed to elect to pay the privilege tax on machinery and equipment for use in the performance of a contract with the owner of the data center. Subcontractors are allowed to elect to pay the privilege tax on machinery and equipment for use in the performance of a contract with the general contractor that has a contract with the owner of the data center. The privilege tax does not apply to equipment and machinery of an eligible Internet data center that is exempt from sales tax under N.C. §105-164.13(55).

An eligible data center is a facility that provides infrastructure for hosting or data processing services and that has power and cooling systems that are created and maintained to be concurrently maintainable and include redundant capacity components and multiple distribution paths serving the computer equipment at the facility.

The privilege rate is one percent with a maximum of \$80 per article and applies to eligible data center machinery equipment that is capitalized for tax purposes and used for:

- The provision of data center services, including equipment cooling systems for managing the performance of the data center property, hardware for distributed and mainframe computers and servers, data storage devices, network connectivity equipment and peripheral components and systems.
- For the generation, transformation, transmission, distribution or management of electricity, including exterior substations and other business personal property used for these purposes.

North Carolina offers sales and use tax exemptions, refunds and discounts to eligible companies.

A minimum capital investment of \$150 million for a facility located in a Tier 1 county, or a minimum investment of \$225 million in a Tier 2 or Tier 3 county, is required. Wage standard and health insurance requirements per N.C. §105-129.83 are certified. If an additional facility is constructed and is linked through a fiber-optic or similar connection, a minimum investment of \$75 million is required for the second facility to be eligible. These investments must be made within five years of the date on which the qualifying investment is made. The sunset for this exemption is July 1, 2015. N.C. § 105-187.51C

- Sales of electricity to an eligible Internet data center and eligible business property to be located at the eligible Internet data center that is primarily engaged in the software publishing or Internet activity, as defined by NAICS 511210 and 519130, are exempt from sales and use tax. N.C. §105-164.13(55)
  - The Secretary of Commerce must make a written determination that at least \$250 million in private funds has been or will be invested in real property and/or eligible business property within five years after the commencement of construction of the facility. N.C. §105-164.3(8e)
- Sales of computer software to a person who operates a data center and uses it within the data center are exempt from sales and use tax. N.C. §105-164.13(43a)



# Incentives — Sales and Use Tax Exemptions and Refunds

## Manufacturing Exemptions

- Mill machinery, mill machinery parts or accessories, and specialized equipment used to unload or process bulk cargo are exempt from sales and use tax, but are subject to a privilege tax. This rate is one percent with a maximum of \$80 per article. N.C. §105-187.51B
- Distribution machinery for storage, use or consumption at manufacturing and distribution facility, with an investment of at least \$80 million in real and tangible personal property and 550 employees within five years after the facility is placed into service, is subject to a privilege tax. This rate is one percent of the eligible equipment with a maximum tax of \$80 per article. N.C. § 105-187.51D
- Purchases of ingredients or component parts of a manufactured product that becomes an ingredient or component part of tangible personal property that is manufactured are exempt from sales and use tax. N.C. §105-164.13(8)
- Packaging items that constitute a part of the sale at wholesale or retail and are delivered with the product to the customer are exempt from sales and use tax. N.C. §105-164.13(23)
- Fuel and electricity sold to a manufacturer for use in connection with the operation of a manufacturing facility are exempt from sales and use tax. N.C. §105-164.13(57)
- Fuel purchased by a manufacturer for use in connection with the operation of a manufacturing facility is not subject to the privilege tax. N.C. §105-187.51A

## Special Exemptions

- Piped natural gas is exempt from sales and use tax, but is subject to an excise tax. This rate is based on the number of therms of gas consumed in a month. Qualifying manufacturers and farmers are exempt from the excise tax. N.C. §105-164.13(44) and N.C. §105-187.41
- Motor vehicles are exempt from sales and use tax, but are subject to the highway use tax. This tax is three percent of the retail value of the motor vehicle titled in the state, with the exceptions of a maximum tax of \$1,500 per vehicle for recreational vehicles and \$1,000 for Class A or Class B motor vehicles. N.C. §105-187.3

## Refunds

- Testing Labs or medical labs engaged in analytical services are eligible for a 50 percent refund on sales and use taxes paid on purchases of supplies used or consumed for analytical activities. The sunset for this refund is January 1, 2038. N.C. §105-164.14A

## Incentives — Job Development Investment Grant

The Job Development Investment Grant (JDIG) is a performance-based, discretionary incentive program that provides cash grants directly to new and expanding businesses to help offset the cost of locating or expanding a business facility in the state. These cash grants can be used by the company for whatever purpose desired and are not tied to qualified expenses or other such requirements.

The amount of the grant is calculated by weighing a number of factors to determine the significance of the project and include the number of net new jobs, the wages of the jobs compared to the county average wage, whether or not the capital investment anchors the company in the community, and whether the industry is one of the state's targeted industry sectors. Grant funds are disbursed annually, for up to 12 years, to approved companies based on a percentage of withholding taxes paid by new employees, following satisfaction of performance criteria set out in grant agreements.

Given the potent, direct benefit available to growing companies and program limitations on the value of the grants awarded, in order to qualify the company must meet a rigorous set of criteria that varies depending on the tier designation of the county under consideration:

- The target parameters for projects considering Tier 1 communities include 125 jobs at an average wage of 105% of the county average wage and a capital investment equal to or greater than \$10,000 per job.
- The target parameters for projects considering Tier 2 communities include 150 jobs at an average wage of 110% of the county average wage and a capital investment equal to or greater than \$10,000 per job.
- The target parameters for projects considering Tier 3 communities include 200 jobs at an average wage of 115% of the average wage (or the state average wage, whichever is lower) and a capital investment equal to or greater than \$10,000 per job. Durham, Mecklenburg and Wake counties are exceptions to these target parameters and projects considering those counties should include at least 250 jobs.

In addition to these target parameters, JDIG projects must provide an economic benefit to the state; be competitive with locations outside North Carolina; be necessary to carry out the project in the State; and meet certain health insurance, safety and environmental requirements.

A five member Economic Investment Committee (EIC) evaluates projects and makes decisions regarding JDIG awards.

Grants are based on the job creation and investment commitment made by companies in formal applications to the state prior to a location decision. Grant applicants are required to pay a \$10,000 non-refundable fee with the submission of a completed application, as well as an annual filing fee each year upon the submission of their annual report.

For projects located in Tier 2 counties, 15 percent of the total JDIG grant is transferred to the state's utility account to fund infrastructure projects in the state's economically distressed counties. In Tier 3 counties, 25 percent of the total JDIG grant is transferred to the utility account.

The amount of a grant associated with any specific position may not exceed \$6,500 in any year. In addition, the JDIG program is subject to a legislative cap on grants made by the EIC, based on the cumulative financial impact of those grants in any future grant year. The maximum amount of total liability for all grant agreements entered into between July 1, 2013 and June 30, 2015 may not exceed \$22 million. The authority of the EIC to enter into new agreements expires January 1, 2016.

## Incentives — One North Carolina Fund



The One North Carolina Fund consists of nonrecurring appropriations made available to the governor as a flexible and discretionary tool allowing North Carolina to respond quickly to enable job creation and/or retention for projects competitive with other locations. Awards are based on jobs created, economic impact of the project, the importance of the project to the state, quality of industry and environmental impact.

In order to qualify for funding through One North Carolina, the company must meet a set of criteria that varies depending on the tier designation of the county under consideration:

- The target parameters for projects considering Tier 1 communities include 20 jobs at an average wage equal to the county average wage.
- The target parameters for projects considering Tier 2 communities include 20 jobs at an average wage equal to the county average wage.
- The target parameters for projects considering Tier 3 communities include 40 jobs at an average wage of 110% of the average wage (or the state average wage, whichever is lower).

Funds allocated through One North Carolina are used for:

- Installing or purchasing equipment
- Structural repairs, improvements or renovations of existing buildings to be used for expansion
- Construction of or improvements to new or existing water, sewer, gas or electric utility distribution lines

Awards are allocated to local units of government as part of a negotiated challenge grant. Local governments are required to match the One North Carolina award with cash, fee waivers, in-kind services, donations of land, buildings or other assets or provisions of infrastructure. The amount of an award will vary by project, but a rule of thumb is that a Tier 1 community is normally offered a grant of approximately \$3,000 per job, a Tier 2 community is normally offered a grant of approximately \$2,000 per job, while a Tier 3 community is normally offered a grant of approximately \$1,000 per job.



# Incentives — Public Infrastructure



## Community Development Block Grant Program

The Community Development Block Grant (CDBG) Program provides grants for infrastructure development. Funds available are based on an annual federal allocation to North Carolina from the U.S. Department of Housing and Urban Development and may be applied for by a local government for economic development projects. Private businesses cannot apply directly for this funding, but instead work collaboratively with a local government and receive a loan or grant through the local government for the project.

Funded projects lead to the creation or retention of jobs. Economic development category projects involve assistance for public facilities needed to serve the target business.

### Other Eligibility Requirements

- Service or manufacturing industries must meet the County Wage standard.
- Grants must be made to applicants for infrastructure improvements that are publicly owned and maintained, including construction or improvements to water, sewer, streets, gas lines, rail or municipal electrical utility systems.
- At least 60 percent of the jobs created or retained through the CDBG funds must be filled by persons who earned less than 80 percent of the median income for that county in the previous 12 months.
- A pre-application meeting is required for the CDBG program. A CDBG program officer should be contacted for assistance early in the incentive planning process.
- Jobs transferred within the state or from another state do not qualify as new jobs. In addition, CDBG funds may not be used to assist directly in the relocation of any industrial or commercial plant, facility or operation from one area to another area if the relocation is likely to result in a significant loss of employment in the area from which the relocation occurs.

# Incentives — Public Infrastructure

## Community Development Block Grant Program

### Funding Levels

Eligible businesses, primarily manufacturing, can receive a maximum of \$10,000 to \$15,000 per job committed depending on the tier level of the county. Other businesses can receive a maximum of \$4,000 to \$10,000 per job.

Grant and loan amounts are determined by the cost of the project and the availability of funding. Tier 1 and 2 counties may apply for up to \$1 million per project during the funding year. Tier 3 counties can receive a maximum of \$750,000 per project per funding year. There is a \$1.25 million limit on CDBG funds whether economic development, housing or a combination of the two, per fund year for each eligible government.

### Match Requirements

Tier 2 and 3 counties must match the CDBG grant with local funds on a 1:3 ratio. The 29 most economically distressed counties are not required to provide a match.

### Eligible Applicants

All county or municipal governments in the state are eligible to apply for CDBG funds, except those listed below. These entitlement communities go directly to HUD for assistance, because they are larger urban communities: Asheville, Burlington, Cary, Chapel Hill, Charlotte, Concord, Durham, Fayetteville, Gastonia, Goldsboro, Greensboro, Greenville, Hickory, High Point, Jacksonville, Kannapolis, Lenoir, Morganton, Raleigh, Rocky Mount, Salisbury, Wilmington and Winston-Salem. Cumberland, Mecklenburg and Wake counties also are ineligible, except for the towns of Holly Springs and Linden, which opted to participate in the state's program instead of their county's program.

Grants and loans for infrastructure development — and to enhance a community's economy — are also available to companies that apply in collaboration with a local government.



# Incentives — Public Infrastructure

## Industrial Development Fund Utility Account

The Industrial Development Fund Utility Account provides grants for infrastructure development in the counties designated as Tier 1 or Tier 2 under G.S. 143B-437.08.

### Funding Level and Use

Funding is based on the availability of monies and the merits of a project. Grants may be awarded to local governments for infrastructure improvements that are publicly owned and maintained, including construction or improvement of water, sewer, gas, road, rail and electrical utility systems. The applicant must demonstrate that the project is expected to lead to job creation in the near future.

### Match Requirements

In the 25 most distressed counties, there is no local match requirement, but grants in the 55 remaining counties require a 25% local match. Federal or state grant funds may not be used to meet the local match requirement.



North Carolina offers grants for infrastructure development to eligible companies committed to creating new jobs in distressed counties.



# Incentives — Public Infrastructure

## Economic Infrastructure Program

The Economic Infrastructure Program under the Rural Grants/Programs Section of the North Carolina Department of Commerce provides grants to local governments to assist with infrastructure projects that will lead to the creation of new, full-time jobs.

Eligible projects include but are not limited to:

- Upgrades or repair of public drinking water or wastewater treatment plants
- Upgrades, extensions, or repair of public water or sewer lines
- Extensions of publicly owned natural gas line (with an executed Pipeline Construction, Operating and Resale Agreement)
- Installation or extension of public broadband infrastructure
- Construction of publicly owned access roads not funded or owned by the NC Department of Transportation
- Construction of public rail spur improvements

Applicants located in one of the counties that have the 80 highest rankings under N.C.G.S.143B-437.08 are eligible for \$10,000 per newly created full-time job. Applicants not located in one of the counties that have the 80 highest rankings are eligible for \$5,000 per newly created full-time job. The maximum grant award is \$500,000. There is a local cash match requirement of five percent of the grant amount request.

Eligible applicants are units of local government with priority given to the counties that have the 80 highest rankings under under N.C.G.S.143B-437.08.



The Economic Infrastructure Program can help extend needed infrastructure to sites where jobs will be created.

## Incentives — Building Renovation and Reuse

Building renovation loans are offered with a goal to spur economic activity and job creation throughout the state by encouraging the productive reuse of vacant buildings.

### Community Development Block Grant

CDBG Building Renovation Loans are available to local government applicants that propose a project in conjunction with a private, for-profit business that wishes to place a vacant building into economic use resulting in the creation of permanent, full-time jobs by the project company.

To be eligible, documentation must be provided showing the building has been vacant at least 30 consecutive days. The grant amount is calculated based on \$20,000 per job for eligible businesses, primarily manufacturing, and \$12,000 per job for other businesses. The maximum amount is \$750,000 per unit of government per program year. The project company must commit to creating 60 percent of the jobs for low- to moderate-income persons. A cash match of 100 percent is required for each CDBG dollar loaned to the project company. CDBG funds provided to the company by the unit of local government will be in the form of a forgiven loan. If there is a default by the project company prior to the expiration of the term, 20 percent of the loan is forgiven for each year the jobs were held prior to the default. At the end of the five-year term, there is no repayment if the company has created 90 percent of the original job-creation pledge.



# Incentives — Building Renovation and Reuse

## Building Reuse and Restoration Grants

The Building Reuse Program under the Rural Grants/Programs Section of the North Carolina Department of Commerce will provide grants/loans to local governments to renovate vacant buildings and/or renovate, expand or construct health care facilities that will lead to the creation of new, full-time jobs.

Eligible Projects Include:

- Grants are available to support the reuse of vacant buildings and properties or construct or expand rural health care facilities.
- *For vacant building projects* - Buildings must be vacant for at least three months prior to application deadline. Shell buildings built on speculation that have never been inhabited are not eligible, except in instances when the building is at least 5 years old without ever having a tenant.
- *For health care projects* – These projects may include the renovation, expansion or construction for rural health care facilities.
- Priority will be given to projects supporting a “resident company.” A “resident company” is defined in N.C.G.S.143B-472.127(a)(4) as a company that has paid unemployment taxes or income taxes in this State and whose principal place of business is located in this State.
- Priority will be given to projects that create five (5) or more new full-time jobs.
- Mixed-use or adaptive reuse projects that include housing may be eligible, provided the building will be occupied by at least one private company committed to creating new jobs. The expenses associated with the renovation of residential areas of the building are not eligible for grant funding and may not be calculated as contributing to the required match.
- Buildings proposed for reuse for government or civic purposes (municipal buildings, community centers, schools, etc.) may be eligible, provided the building will be occupied by at least one private company committed to creating new jobs. The renovation expenses associated with municipal areas of the building are not eligible for grant funding and may not be calculated as contributing to the required match.

Applicants located in an economically distressed county, defined as Tier 1 and Tier 2 counties in N.C.G.S.143B-437.01(a1)(4), are eligible for \$10,000 per newly created full-time job. The maximum grant award is \$500,000 or one-half of the project cost, whichever is less. Grant award amounts are limited to one-half of the total proposed eligible renovation project. The program requires a cash match equivalent to at least 5% of the grant amount. The cash match shall come from local resources and may not be derived from other State or federal grant funds.

## Eligible Applicants

Eligible applicants are units of local government located in an economically distressed county. An economically distressed county is defined in N.C.G.S.143B-437.01(a1)(4) as Tier 1 and 2 counties. Priority will be given to projects in towns and communities with populations of less than 5,000.



## Incentives — Access Road Improvements



Funds are available through the N.C. Department of Transportation to construct roads to provide access to new or expanded industrial or manufacturing facilities, including mills, processing facilities and laboratories and other industrial research operations. The N.C. Department of Transportation Secretary may consider requests for access road improvements to recreational facilities if they are expected to produce additional jobs and attract people to the facilities from other sections of North Carolina and from out of state. Other eligible projects include:

- Construction of public school drives
- Construction of driveways at public medical facilities and public airports
- Pavement of entrance aprons at volunteer fire departments and rescue squads that are located inside an incorporated municipality

The N.C. Department of Transportation Secretary individually reviews the economic impact of the location of distribution facilities for manufactured goods. Approval primarily is based on a comparison of the initial number of jobs gained with the road improvement cost. The initial investment in the project, the precedent of past approvals for similar projects and the economic development needs of the county involved factor into these approvals, as well.

Access road improvements eligible to be approved by the N.C. Department of Transportation Secretary must be along an alignment determined by the N.C. Department of Transportation (DOT), and the right-of-way must be dedicated at no cost. Such access road improvements terminate at the property line of the project and become a part of the state maintained system.

The N.C. Department of Transportation Secretary may consider adding an access road constructed by others to the state maintenance system if it is justifiable based on the existing access and public service road policy. The construction standards for such a road are dependent on the intended use of the roadway and determined by the division engineer.

No matter where a business decides to locate in North Carolina, funds are available to create roads to and from it.



# Incentives — Rail Access Program

The Rail Industrial Access Program provides grant funding to aid in financing the construction or rehabilitation of railroad access tracks required by a new or expanding industry that will result in a significant number of new jobs or capital investment. Organizations eligible to apply for funding include:

- Municipal and county governments
- Nonprofit or for-profit community development organizations
- Railroads
- Industries

Program funding is an incentive to encourage firms to choose a location or expand in North Carolina as opposed to another state. It is not intended to fund projects when only an in-state location is considered or when an expansion will not have a significant economic impact.

## Application Process and Criteria

The DOT's Rail Division receives and evaluates each application and makes recommendations for funding to the N.C. Board of Transportation, which decides upon the amount of funding to be awarded. Project applications are accepted any time during the year, but the DOT must receive a completed application by the first of the month in order for a project to be considered for N.C. Board of Transportation approval the following month.

When recommending rail projects for funding, the DOT primarily considers the planned capital investment and expected employment to be created in the first two years of the project as well as annual rail traffic. Secondary considerations include whether or not the project is served by a shortline railroad, is eligible to receive Appalachian Regional Commission funding or is located in a Tier 1 county. Grantees must comply with all state laws, including environmental and competitive bidding, and the industry must certify that it will provide the jobs and the rail traffic — or “carloads” — indicated in the project application.

## Project Costs

Eligible project costs include:

- Engineering and Design
- Site preparation, including grading and drainage
- Track construction
- Switches
- Grade crossings and signals

Ineligible project costs include relocation of utilities, acquisition of right-of-way and unloading facilities.

## Allocation of Funding

Grant recipients may receive a maximum of 50 percent of total project costs depending on the DOT evaluation of economic benefits and the funding available. No more than 20 percent of the annual budgeted funding for this program may be allocated to any one project in any fiscal year.

## Ownership and Maintenance Responsibility

The rail industrial access tracks, once constructed, are owned by the grantee or by the industry served. The track owner is responsible for maintenance and liability on the project tracks.

## Repayment

If the project tracks are abandoned, relocated or sold without a grant assignment, the grantee will be required to repay, to the N.C. Board of Transportation, its contribution to the cost of construction and materials, less depreciation. The grantee may also be required to repay the N.C. Board of Transportation if rail use falls significantly below the commitment levels specified in the grant application during the first five years of the grant assignment or if job commitments are not met during the first two years of the grant assignment.

You may visit:

<http://www.ncbytrain.org/projects/industrial>  
for additional information about this program.

## Incentives — Industrial Revenue Bonds

The state's bond program presents new and expanding industry with flexibility in securing financing and added tax benefits. North Carolina is one of the few states virtually unaffected by the state volume cap, and its anticipated annual volume of tax-exempt bonds for industrial purposes subject to the cap is less than the allowance of approximately \$500 million.

Unlike most conventional loans, industrial revenue bonds (IRBs) can offer businesses a convenient, long-term and often fixed-rate financing package. In addition, the interest earned on IRBs is exempt from federal income taxes. As a result, the bond buyer is willing to accept a lower rate of interest in exchange for tax-free income. Typically, interest rates on IRBs range between 1.5 and 2.5 percentage points below corporate bonds. Terms of the bond issue are negotiable, and the costs of issuing bonds can be spread out over the term of the bond issue.

### Eligibility and Statutory Requirements

Only companies engaged in some type of manufacturing can use IRB funds. The proceeds of the bond issue may be used to finance the entire project, including the cost of land, construction of new or expanded facilities, purchase of equipment and the payment of certain costs incurred in the issuance of the bonds.

The regulations governing bond issuance are a combination of federal regulations and North Carolina statutes, and dictate several requirements be met before the issuance of IRBs:

- **Jobs Test:** The business must create or retain a certain number of jobs based on the size of the financing; currently, one job is required for every \$250,000 in financing.
- **Abandonment:** The business must certify that in building the facility, it is not abandoning another facility in North Carolina (or, if it is, that it is impossible for it to remain at its present location because of limitations on land use, etc.).
- **No "Junk" Bonds:** Bonds must be sold to a sophisticated investor (e.g., a bank) or be backed by a letter of credit or other credit enhancement. Therefore, the company must be able to borrow on its own credit.
- **Environmental Approval:** The business must secure any required environmental certifications or permits.

### Limitations

Federal tax law imposes some limitations on IRBs. Capital expenditures at the business' location(s) in the municipality during the three years before and after the date the bonds are issued cannot exceed \$20 million. The total amount of IRBs outstanding at all related operations of the business, in all states, may not exceed \$40 million.



Bond programs offer new and expanding industry with financing flexibility and added tax benefits.



# Incentives — Industrial Revenue Bonds

## Other Types of Bond Issuances

### Tax Exempt (Exempt Facility/Solid Waste Disposal)

These bonds are used to finance solid waste disposal facilities that include facilities for the collection, storage, treatment, utilization, processing or final disposal of solid waste (typically, either private landfills or solid waste disposal from manufacturing facilities). Volume cap is required, but there is no restriction on amount of issuance in any jurisdiction or nationwide. The interest paid on these bonds is exempt from federal and state income tax.

### Taxable (Industrial or Pollution Control Facilities)

In North Carolina, taxable bonds can be issued to finance industrial or solid pollution control facilities that do not meet the requirements for tax exemption under federal law. These bonds are not exempt from federal tax, but are exempt from state income tax. The taxable bond interest rate is more costly to the borrower. There is no limit on bond amount.



### Process:

Typical bond applications take eight to 10 weeks to complete. Due to the complexity and documentation associated with revenue bonds, companies should consult with a legal representative and schedule a pre-application conference with the N.C. Department of Commerce Finance Center very early in the process.

As part of the process, companies must:

- Secure an inducement agreement, which must be signed between the company and county before making financial commitments on the project.
- Obtain a bank letter of credit that is rated investment grade or better.

The state supervises, approves and guides bond applications. Bonds are issued by the County Bond Authority where the facility will be located.

# Incentives — Foreign Trade Zones

## What is a Foreign Trade Zone?

A Foreign or Free Trade Zone is a neutral, secured area legally outside of U.S. Customs territory. Foreign or domestic merchandise may enter this enclave without a formal customs entry or the payment of customs duties or government excise taxes, and without a thorough examination. If the final product is exported from the United States, no Customs duty is levied. If the final product is imported into the U.S., duty and excise taxes are due at the time of transfer from the foreign trade zone and formal entry is made into the U.S. Duty is paid on the product itself or its imported parts, whichever is lower. Spoiled or damaged goods or waste materials may be disposed or re-exported without payment of duty.

## Economic Benefits of Foreign Trade Zones

Foreign Trade Zones provide myriad economic advantages for businesses involved in international trade. Primarily, merchandise may be manipulated, used in a manufacturing process, inspected, combined with other domestic or foreign materials, displayed for sale and/or re-exported without payment of duty. Savings on personal property, sales and use taxes are possible since state and local governments generally do not impose such taxes on items in an FTZ. Additional savings on interest, labor and shipping costs may also result.

## Foreign Trade Zone Grantee

### Charlotte (Zone 57)

Charlotte Regional Partnership

### Wilmington (Zone 66)

N.C. Department of  
Transportation

### Morehead City (Zone 67)

N.C. Department of  
Transportation

### Triangle (Zone 93)

Triangle J Council of  
Governments

### Global TransPark (Zone 214)

N.C. Global TransPark  
Authority

### Piedmont (Zone 230)

Piedmont Triad Partnership

## N.C. Foreign Trade Zones

